



**Perotti And Carrade**

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March 21, 2017

To the Board of Directors of  
Richardson Bay Sanitary District

We have audited the financial statements of Richardson Bay Sanitary District for the year ended June 30, 2016, and have issued our report thereon dated March 21, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated August 12, 2016, our responsibility, as described by professional standards, was to express an opinion about whether the financial statements prepared by management with your oversight were presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

*Planned Scope and Timing of the Audit*

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions examined and the areas tested.

We began our audit as expected, which was in late August 2016.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Richardson Bay Sanitary District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of all other existing policies were not changed during 2016. We noted no transactions entered into by the District during the year for which there is a lack of

authoritative guidance or consensus. To our knowledge, there are no significant transactions that have been recognized in the financial statements in an improper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the actuarially determined obligations of the District's pension and other postemployment benefits and the funding status of the benefits. We evaluated the key factors and assumptions used in evaluating the obligations in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of pension obligation of the District as discussed in Note 5 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 21, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

We applied certain limited procedures to the required supplemental information, including management discussion and analysis, schedule of District’s Proportionate share of the net pension liability of the Plan administered by CalPERS, the District’s pension contributions and schedule of funding progress for retired employee health care plan, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental schedule of operating, system maintenance and general and administrative expenses, the schedule of activity in cash reserved for infrastructure and other improvements, and statistical information on page 32 of the audited financial statements, which accompany the financial statements but are not RSI. With respect to the supplementary information we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Richardson Bay Sanitary District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink, reading "Peter H. & Canade". The signature is written in a cursive style with a large initial "P" and a stylized "H".

## SCHEDULE OF UNCORRECTED MISSTATEMENTS

Client:	18068 - Richardson Bay Sanitary District				
Engagement:	2016-190 - Richardson Bay Sanitary District				
Period Ending:	6/30/2016				
Trial Balance:	A-01 - TB				
Workpaper:	B-01 - Passed Adjustments Report				
Account	Description	W/P Ref	Debit	Credit	Impact on P/L
<b>Proposed JE # 5</b>					
Pass on reflecting receivable due from Town of Tiburon for reclaimed water for the month of June.					
✓ 150.00	Accounts Receivable #		4,768		
✓ 430.00	Reclaimed water			4,768	4,768
<b>Total</b>			<b>4,768</b>	<b>4,768</b>	<b>4,768</b>